

CIA/OER/S-07149-75 Approved For Release 2001/08/28 : CIA-RDP80-01060000000200010 COMPARISON OF OER & IBRD PROJECTIONS OF
INDONESIA'S BALANCE MAY 75 CONF 01 OF 01

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Comparison of CIA and IBRD Projections of
Indonesian Balance of Payments,
1975-1980

The attached table compares OER and IBRD balance of payments projections for Indonesia in 1975-80. The first 6 columns represent OER data adjusted to fit IBRD categories. Columns 7-10 show the cumulative totals for each category from the OER and IBRD studies, the differences between the cumulative totals, and the annual variation in each category.

We are in basic agreement with IBRD on many of the current account items. The outlook for exports and imports is similar in both studies, although OER's non-oil export projections (line 3) are somewhat more conservative. OER's non-factor services (line 5), projected at 11% in line with past trends in the relationship between imports and services, produced a smaller cumulative deficit. However, the projected resource gap (line 6) differs by only \$10 million per year (1%).

The current account deficit (line 10) is projected by OER to grow more slowly than the IBRD foresees, producing a difference of \$380 million annually. This is driven by differences in non-oil investment income (repatriated profits) and interest on official debt. At the time of the original study and since, OER has made a number of efforts to construct some plausible growth path for profit repatriation in the non-oil sector. Considering investment opportunities in

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Indonesia, we feel it unlikely that the foreign private sector would support growth in this account on the order of the IBRD's hefty 30%; more likely, this line would grow closer to the 10% estimated by OER. OER's interest account (line 9) is based on IMF projections of scheduled interest payments on government borrowing through 1973, with some upward revision to take account of new government borrowing. IBRD projects additional interest payments that are greater by \$200 million per year. we cannot determine

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whether we omitted some aspects of this item, or whether IBRD has new evidence that suggests interest payments will be climbing rapidly during the next few years.

Examination of the capital account reveals some substantial differences. At this stage, allowing for some minor updating and revisions, net capital inflows (line 11) projected in the two studies vary by \$410 million per year. Net direct investment projections (line 12) are quite close. The IBRD, however, foresees additional gross disbursements (all capital flows other than direct investments, line 13) of \$390 million per year. Projected repayment of principal on these capital flows (line 14), on the other hand, is similar in both studies.

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Part of the discrepancy in net capital inflows is

explained by different assumptions concerning reserves accumulation. OER assumed reserves in 1980 would cover 3 months of imports, and IBRD 4 months. This led to capital requirements in the IBRD study some \$120 million annually above OER's projections.

As we understand it, neither study incorporates in its projections the balance of payments ramifications of the recent debt crisis at Pertamina. Pertamina's financial situation is currently undergoing intensive review by the government, and in the coming months a clearer picture of how the problem will be handled should emerge.

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Comparison of OER and IBRD Balance of Payments
Projections for Indonesia, 1975-80

	OER Data						Million US \$			
	(1) 1975	(2) 1976	(3) 1977	(4) 1978	(5) 1979	(6) 1980	(7) OER TOTAL	(8) IBRD TOTAL	(9) Difference	(10) Difference per year
1. Total Exports (2 + 3)	4,940	6,140	7,210	8,470	9,650	10,840	47,250	48,800	1,550	260
2. Net oil Exports	2,740	3,700	4,380	5,200	5,910	6,540	28,490	28,100	- 390	- 65
3. Non-oil Exports	2,200	2,440	2,830	3,250	3,740	4,300	18,760	20,700	1,940	325
4. Non-oil Imports	-4,990	-6,030	-7,300	-8,760	-10,510	-12,610	-50,200	-51,200	1,000	170
5. Non-factor Services	- 280	- 310	- 350	- 380	- 420	- 470	- 2,210	- 2,700	490	80
6. Resource Gap (1 + 4 + 5)	- 330	- 200	- 440	- 670	- 1,280	- 2,240	- 5,160	- 5,100	- 60	- 10
7. Non-Oil Factor Services (8 + 9)	- 240	- 260	- 290	- 330	- 360	- 410	- 1,890	- 4,200	2,310	320
8. Investment Income	180	200	220	250	290	310	1,440	2,500	1,060	180
9. Interest on official loans	60	60	70	80	80	100	450	1,700	1,250	200
10. Current Account (6 + 7)	- 570	- 460	- 730	-1,000	- 1,640	- 2,640	- 7,050	- 9,300	2,250	380
11. Capital Account (12 + 13 + 14)	1,230	1,320	1,440	1,580	1,750	1,940	9,260	11,700	2,440	410
12. Direct Investment	520	600	690	790	910	1,050	4,560	4,800	240	40
13. Gross Disbursements	950	1,020	1,100	1,180	1,290	1,410	6,950	9,300	2,350	390
14. Repayment	- 240	- 300	- 350	- 390	- 450	- 520	- 2,250	-2,400	150	20
15. Reserves Accumulation (10 + 11)	630	810	630	480	- 10	- 850	1,690	2,400	710	120
16. End Year Reserves	2,120	2,930	3,560	4,040	4,030	3,180		3,890 ^{1/}		
1. IBRD forecast for end year reserves, 1980.										

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